



## **Exporter Verification Report**

### **Verification & Case Details**

<b>Initiation Date</b>	11/02/2019	<b>ADN:</b>	2019/20
<b>Case:</b>	Power Transformers – Continuation - Indonesia, Taiwan, Thailand		
<b>Case Number</b>	504		
<b>Exporter</b>	Fortune Electric Co., Ltd (Fortune)		
<b>Location</b>	Taiwan		
<b>Verification from</b>	15 April 2019	<b>to</b>	19 April 2019
<b>Review Period</b>	1/01/2016	<b>to</b>	31/12/2018

**THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED THEREIN WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT THE FINAL POSITION OF THE ANTI-DUMPING COMMISSION**

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# **1 COMPANY BACKGROUND**

## **1.1 Corporate Structure and Ownership**

Fortune Electric Co., Ltd (Fortune) is a publicly traded company that manufactures power transformers and other electrical products.

Fortune's corporate structure includes the following related companies that are producers of like goods:

- Fortune Electric (Wu Han) Co., Ltd – Wuhan, China
- Hitachi Fortune Transformer, Inc – Taichung, Taiwan

Additionally, Fortune has related parties that supplied raw materials in the inquiry period, namely:

- Hitachi Fortune Transformer, Inc
- Wuhan Huarong Co., Ltd
- Wuhan Fortune Trade Co., Ltd

## **1.2 Related Parties**

The verification team examined the relationships between related parties involved in the manufacture and sale of the goods.

### **1.2.1 Related Customers**

Fortune had no related customers in the inquiry period.

### **1.2.2 Related Suppliers**

Related parties were not responsible for the manufacture of any of Fortune's Australian exports of the goods subject to measures or like goods sold domestically in the inquiry period.

Furthermore, Fortune primarily sourced raw materials from unrelated suppliers. Where raw materials were purchased from related parties, the verification team tested the arms length nature of these transactions by comparing the prices with raw material purchases from unrelated suppliers.

The verification team was satisfied that raw material purchases from related parties were arms length transactions and has included all costs as incurred in its assessment of the variable factors relevant to Fortune.

## 2 THE GOODS AND LIKE GOODS

### 2.1 Production Process

Major steps in the production process include:

- Manufacturing of the core
- Coil winding
- Assembly of the coil and core
- Drying, tanking, and assembly of other components
- Testing

### 2.2 The goods subject to measures

The goods subject to the anti-dumping measures and the inquiry are:

*liquid dielectric power transformers with power ratings of equal to or greater than 10 MVA (mega volt amperes) and a voltage rating of less than 500kV (kilo volts) whether assembled or unassembled, complete or incomplete.*<sup>1</sup>

### 2.3 The goods exported to Australia

The verification team were satisfied that Fortune produced and exported the goods to Australia in the inquiry period.

### 2.4 Like goods sold on the domestic market

The verification team were satisfied that Fortune sold like goods in the domestic market.

The verification team considers that the goods manufactured for domestic consumption have characteristics closely resembling the goods exported to Australia, as they:

- are not distinguished from the exported goods during production (the exported goods and goods sold on the domestic market are produced in the same way, subject to individual customer specifications);
- are produced at the same facilities, using similar raw material inputs and manufacturing processes;
- the goods compete in the same market sectors, following similar negotiation processes; and
- can be considered functionally alike, as they have similar end uses.

### 2.5 Model matching

ADN 2019/20 set out the Commission's position that, "in accordance with the Commission's Model Control Code (MCC) policy, the MCC structure is not considered to be meaningful for the

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<sup>1</sup> Refer to ADN 2019/20 for more information – Anti-Dumping Commission, ADN 2019/20 – Initiation of a Continuation Inquiry No. 504, Electronic Public Record, Anti-Dumping Commission, <<https://www.industry.gov.au/data-and-publications/anti-dumping-commission-current-cases>>.

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goods subject to measures as each sale of power transformers is a unique model which is not necessarily comparable to any other sale.”<sup>2</sup>

In its response to the exporter questionnaire (REQ), Fortune stated that “the Commission should consider comparing the selling prices of the goods exported to Australia with those sold in Taiwan according to the identical or similar MVA, with the reasonable adjustment of the cost differences of the two.”<sup>3</sup>

Fortune proposed the following model matching criteria, based on models exported to Australia:

<b>MVA Sold to Australia</b>	<b>MVA sold in Taiwan</b>
[15]	[12; 12.3; 12.5; and 15.625]
[20]	[18; and 18.75]
[25]	[23.625; and 25]
[45]	[31.25; 31.5; 33 and 37.5]

The verification team assessed Fortune’s data, which identified that power rating (MVA) was one of a number of factors that influenced prices, along with other variables such as voltage, power efficiency, cooling class designation and tap changer.

Based on the information provided, the verification team considered that there were significant differences in specifications between Fortune’s exports to Australia and domestic sales, which made domestic selling prices unsuitable for fair comparison.

Moreover, the verification team identified major price/cost differences between certain models of similar power ratings – which suggested that a reasonable comparison could not be made from comparing models by power rating and it was unclear how ‘reasonable cost adjustments’ could be quantified.

Details of this verification process are contained in the verification work program, and its relevant attachments, at Confidential Attachment 1.

### **2.6 Like goods – assessment**

The verification team considers that the goods produced by Fortune for domestic sale have characteristics closely resembling those of the goods exported to Australia and are therefore ‘like goods’ in accordance with subsection 269T(1) of the *Customs Act 1901* (the Act).<sup>4</sup>

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<sup>2</sup> ADN 2019/20.

<sup>3</sup> Fortune Electric Co, Ltd. – Exporter questionnaire – Sections B to G, p. 3.

<sup>4</sup> References to any section or subsection in this report relate to provisions of the Act, unless specifically stated otherwise.

### 3 UPWARDS VERIFICATION OF SALES

#### 3.1 Verification of Sales Completeness and Relevance

Verification of relevance and completeness is conducted by reconciling selected data submitted "upwards" through management accounts to audited financial accounts. The verification team verified the completeness and relevance of the export and domestic sales listings provided in the REQ by reconciling these to audited financial statements in accordance with ADN. No 2016/30.

The visit team verified the relevance and completeness of Fortune's sales data as follows:

- Fortune's total operating revenue for financial years 2016-2018 was tied to the amount for the investigation period based on Fortune's audited financial accounts and internal sales report;
- sales revenue and volumes were separated by product specifications to identify sales of subject and non-subject goods;
- sales revenue and volumes were separated into each market – domestic, Australia and third country – based on the relevant sales division and customer;
- revenue relating to sales inside the inquiry period but recognised outside the inquiry period was traced to relevant source documents; and
- the verification team reconciled the total net sales revenue and volumes of relevant products for each market to the respective sales listings that Fortune provided in its REQ.

Prior to the upwards sales verification, Fortune identified that it had misreported the revenue to one customer in its third country sales data and provided a correction.

#### 3.2 Completeness and Relevance Finding

The verification team are satisfied that the sales data provided in the REQ by Fortune, including the amendment as outlined above, is complete and relevant.

The verification team did not identify any issues during this process. Details of this verification process are contained in the verification work program, and its relevant attachments, at Confidential Attachment 1.

## **4 DOWNWARDS VERIFICATION OF SALES**

### **4.1 Verification of Sales Accuracy**

The accuracy of data is verified by reconciling selected data submitted "downwards" to source documents. This part of verification involves the process of agreeing the volume, value and other key information fields within the sales data and cost data down to source documents. This verifies the accuracy of the data (e.g. for sales data, the volume and value of the records for selected transactions are accurate and reflect sales that did occur). The verification team verified accuracy of the export and domestic sales listings submitted in the REQ by reconciling these to audited financial statements in accordance with ADN. No 2016/30.

The verification team identified the issues outlined below during this process. Details of this verification process are contained in the verification work program, and its relevant attachments, at Confidential Attachment 1.

#### **4.1.1 Exceptions during Verification of Sales Accuracy**

No.	Exception	Resolution	Evidence Relied On
1	Duty drawback – In the downwards verification of export sales, it was identified that expenses relating to a duty drawback claim had been only been included where the claim had been finalised, as they were incurred only once a claim had been processed. Therefore the reported duty drawback amounts did not factor in relevant expenses to be incurred.	The verification team obtained further information in relation to the duty drawback process and associated costs.  For those claims that had not been finalised, the verification team estimated the cost involved for the duty drawback claims based on this information and deducted it from the amount that was expected to be received.	Relevant source documents including applications for duty drawback, accounting voucher and proof of duty drawback received including invoice and receipt to third party subcontracted to manage duty drawback claims.
2	Allocation of ocean freight – In the downwards verification of export sales, it was identified that ocean freight costs had not been reasonably allocated between 6 transformers covered by the same payment.	Fortune explained that the inconsistency was due to ocean freight initially being negotiated for 4 transformers and a discounted rate provided based on 6 transformers which had not been equally allocated. Fortune reallocated ocean freight costs for these transformers based on weight.	Relevant source documents including commercial invoices, accounting vouchers and correspondence in relation to the negotiation of ocean transport relevant to those sales.
3	Inland transport costs – In the downwards verification of export sales, it was identified that inland transport costs in Australia were incorrectly stated in the Australian sales listing for 1 export sale.	Fortune revised the Australian sales listing with the actual expense incurred.	Relevant source documents including the accounting vouchers and invoice relating to inland transport expenses in Australia.

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<b>4</b>	Handling costs (in Taiwan) – In the downwards verification of export sales, it was identified that handling costs within Taiwan were incorrectly stated in the Australian sales listing for 2 export sales.	Fortune revised the Australian sales listing with the actual expenses incurred.	Relevant source documents including accounting vouchers and invoices relating to handling costs within Taiwan.
<b>5</b>	Inland transport costs – In the downwards verification of domestic sales, it was identified that relevant inland transport costs had not been included for 1 domestic sale.	Fortune revised the domestic sales listing with the actual expenses incurred.	Relevant source documents including the accounting voucher and invoice relating to the inland transport cost incurred.

### 4.2 Sales Accuracy Finding

The verification team are satisfied that the sales data provided in the REQ by Fortune, including any required amendments as outlined as an exception above, is accurate.



**5 COST TO MAKE AND SELL**

**5.1 Verification of completeness and relevance of CTMS data**

The verification team verified the completeness and relevance the cost to make and sell (CTMS) information provided in the REQ by reconciling it to audited financial statements in accordance with ADN No. 2016/30.

The verification team identified the issues outlined below during this process. Details of this verification process are contained in the verification work program, and its relevant attachments, at Confidential Attachment 1.

**5.1.1 Exceptions during Verification of Completeness and Relevance of CTMS data**

No.	Exception	Resolution	Evidence Relied On
1	During the verification of Fortune’s CTMS data, it was identified that Fortune had costed anti-dumping duties incurred in relation to the goods exported to Australia in its manufacturing overheads.	Costs incurred from the anti-dumping duties were removed from Fortune’s manufacturing overheads as they relate to post-FOB importation/selling expenses.	Fortune provided a list of all IDD paid as reported in manufacturing overheads and invoices from freight forwarder showing amount of IDD paid on each consignment.
2	During the verification of Fortune’s SG&A data, it was identified that direct selling expenses from Fortune’s domestic sales had been included in the indirect SG&A calculation in Fortune’s REQ.	These expenses were removed from the calculation of indirect SG&A.	Fortune provided a complete list of indirect SG&A expenses from their accounting system.

**5.2 Completeness and Relevance Finding of CTMS data**

The verification team are satisfied that the CTMS data provided in the REQ by Fortune, including any required amendments as outlined as an exception above, is complete and relevant.

### 5.3 Verification of CTMS Allocation Methodology

The verification team verified the reasonableness of the methodology used to allocate the CTMS information provided in the REQ to the relevant models, in accordance with ADN No. 2016/30.

Cost Area	Methodology Applied	Evidence Relied On
Raw Materials	Each raw material cost item's actual cost of purchase reported for each transformer.	Bill of material, job cost sheet, raw Material Inventory ledgers and invoices of purchase.
Scrap Allocation	Scrap sales are offset on the income statement and are not allocated to each transformer.	Income Statement
Manufacturing Overheads	Direct manufacturing overheads allocated directly to each job order, indirect allocated via job costing sheet based on job hours.	Job Costing records, Manufacturing accounts ledgers.
Labour	Allocated via job costing sheet based on job hours and actual salaries paid.	Job costing records, actual salaries paid.
Depreciation	Allocated within Manufacturing Overheads as indirect expense.	Asset Register, Indirect manufacturing records.
Packaging	Outsourced and the cost recorded per transformer.	Third party invoices.

The verification team identified the issues outlined below during this process. Details of this verification process are contained in the verification work program, and its relevant attachments, at Confidential Attachment 1.

#### 5.3.1 Verification of CTMS Allocation Methodology Exceptions

No.	Exception	Resolution	Evidence Relied On
1	Fortune allocated indirect SG&A expenses based on their total revenue. However, it was noted that indirect SG&A expenses were allocated to the goods based on a rounded % of total revenue.	Indirect SG&A expenses were recalculated on revenue based on the data provided by Fortune.	N/A – calculation adjustment
2	It was identified that Fortune's calculation of the CTMS at an EXW unpacked level did not deduct the appropriate expenses.	The verification team recalculated the CTMS at EXW, unpacked terms based on the data provided by Fortune in its CTMS listings.	N/A – calculation adjustment

## **5.4 Verification of CTMS Methodology Finding**

The verification team are satisfied that the allocation methodology for the CTMS data provided in the REQ by Fortune, including any required amendments as outlined as an exception above, is reasonable.

## **5.5 Verification of Accuracy of CTMS data**

The verification team verified the accuracy of the CTMS information provided in the REQ by reconciling it to source documents in accordance with ADN No. 2016/30.

The verification team identified the issues outlined below during this process. Details of this verification process are contained in the verification work program, and its relevant attachments, at Confidential Attachment 1.

### **5.5.1 Exceptions during Verification of Accuracy of CTMS data**

<b>No.</b>	<b>Exception</b>	<b>Resolution</b>	<b>Evidence Relied On</b>
	Data error in reporting of cost components across several models. Fortune advised that the identified cost items were incorrectly reported in the wrong cell in the excel spreadsheet.	CTMS data was revised with correct values in each relevant cell. The verification team obtained downwards costs for the model affected and were satisfied with the revised allocation.	Cost to make downwards verification process including cost job sheet.

## **5.6 Accuracy Finding of CTMS data**

The verification team are satisfied that the CTMS data provided in the REQ by Fortune, including any required amendments as outlined as an exception above, is accurate.

## **6 EXPORT PRICE**

### **6.1 The importer**

Fortune had one Australian customer of the goods in the inquiry period, Endeavour Energy (Endeavour).

In relation to the sales to Endeavour, the verification team observed that:

- Endeavour is named as the purchaser on the contract, purchase orders, commercial invoices and export declaration forms;
- Commercial invoices to Endeavour are on delivery duty paid (DDP) terms, with Fortune being responsible for the importation of the goods;
- Fortune is named as the consignee on the bill of lading;
- Fortune is named as the importer on the ABF import database; and
- Fortune is liable for the payment of all customs duties (including anti-dumping duties), brokerage fees and all charges up to the point of delivery and instalment of the goods.

Having regard to this information, the verification team considers that Fortune was the beneficial owner of the goods at the time of importation into Australia, and therefore the importer of the goods.

### **6.2 The exporter**

The Commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods were shipped, that gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or its own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

In relation to the sales to Endeavour, the verification team observed that:

- Fortune is named as the seller on the commercial invoices;
- Fortune is named as the shipper on the bill of lading;
- Fortune manufactures the goods and is located in the region of export;
- Fortune is responsible for transportation of the goods to the customer in Australia, and provides technical assistance for installation.

Having regard to this information, the verification team is satisfied that Fortune was the exporter of the goods.

### **6.3 Arms length**

In respect of Fortune's Australian sales of the goods during the period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or

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- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.<sup>5</sup>

The verification team therefore considers that all export sales to Australia made by Fortune during the period were arms length transactions.

### 6.4 Export Price – assessment

In respect of Australian sales of the goods by Fortune, the verification team recommends that the export price be cannot be determined under section 269TAB(1)(a) or 269TAB(1)(b). The verification team recommends that the export price be calculated under section 269TAB(1)(c) having regard to all the circumstances of the exportation. The verification team considers this the appropriate method of calculating export price as Fortune is responsible for importation of the goods and sells them on DDP terms.

The verification team has calculated an export price on FOB terms based on the invoice price of the goods minus all relevant deductions.

The verification team's preliminary export price calculations are at **Confidential Appendix 1**.

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<sup>5</sup> Section 269TAA of the Act refers.

## 7 DOMESTIC SALES SUITABILITY

The verification team has assessed the domestic sales to determine if the prices paid in respect of domestic sales of like goods are suitable for assessing normal value under section 269TAC(1).

### 7.1 Arms length

In respect of domestic sales of the goods made by Fortune to its customers during the review period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, was not directly or indirectly reimbursed, compensated or otherwise received a benefit for, or in respect of, the whole or any part of the price.

The verification team therefore considers that all domestic sales made by Fortune to domestic customers during the period were arm's length transactions.

### 7.2 Ordinary course of trade

Section 269TAAD provides that if like goods are sold in the country of export at a price less than the cost of such goods, and are unrecoverable within a reasonable period, then they are taken not to have been sold in the ordinary course of trade (OCOT).

The verification team compared the revenue (i.e. net sales value) for each domestic sale of like goods to the corresponding quarterly domestic CTMS to test whether those sales were profitable.

#### Recoverability test – methodology

Section 269TAAD(3) provides that, "goods are taken to be recoverable within a reasonable period of time if, although the selling price of those goods at the time of their sale is below their cost at that time, the selling price is above the weighted average cost of such goods over the investigation period."

The verification team identified that Fortune sells like goods on a single unit basis and that power transformers are not necessarily comparable between units. However, it was also identified that for certain contracts, Fortune produced and sold multiple units with the same specifications for a customer, in accordance with the terms of the contract.

Where multiple units were produced to the same specifications (in accordance with the same contract), these units have been considered to be one model, for the purpose of testing recoverability.

It is noted that due to the nature of the product, some products were produced as single units, unique to customer specifications, and distinct from all other domestic sales of like goods. The verification team has similarly assessed the recoverability for these products by comparing the selling price to the weighted average cost of such goods over the inquiry period. However, due to the distinct nature of these products, the CTMS for these units will be equal to the weighted average CTMS over the inquiry period.

### **7.3 Suitability of domestic sales**

Section 269TAC(2)(a)(i) provides that the normal value of goods exported to Australia cannot be ascertained under section 269TAC(1) where there is an absence, or low volume, of sales of like goods in the market of the country of export that would be relevant for the purpose of determining a price under section(1).

As outlined in Chapter 2, export sales of the goods are specific to customer requirements and not necessarily comparable to other sales. Moreover, the verification team considers that there were significant differences in specifications between Fortune’s exports to Australia and domestic sales, which made domestic sales unsuitable for model matching.

The verification team has therefore not followed the model matching criteria proposed by Fortune and has recommended calculating a constructed normal value under section 269TAC(2)(c), in accordance with the *Customs (International Obligations) Regulation 2015* (“the Regulation”), as outlined at Chapter 9 of this report.

### **7.4 Profit**

Where the Commission is required to calculate a normal value under section 269TAC(2)(c), an amount of profit must be determined. The verification team has calculated an amount of profit in accordance with section 45(2) of the Regulation, based on the production and sale of like goods by Fortune on the domestic market in the ordinary course of trade.

#### **7.4.1 Exclusion of subcontracted domestic sales**

The verification team found two sales of like goods on the domestic market were subcontracted to unrelated third parties for manufacture. In accordance with the Regulation, these sales have been excluded from the assessment of profit, as data relating to the costs of production is unavailable.

#### **7.4.2 Fortune’s submission in relation to the calculation of profit**

Fortune expressed the opinion that profit should be calculated using domestic models with identical or similar MVA ratings to the export goods.

In its REQ Fortune stated that, “power transformers with great difference in the MVA are not like products, and it is an unfair comparison to use the price of, and/or the profit margin from, such power transformers sold in Taiwan as the normal value of the power transformers exported to Australia.”<sup>6</sup>

It is noted that as described in this Chapter, the verification team has calculated a margin of profit in accordance with section 45(2) of the Regulation, having regard to the production and sale of like goods in the ordinary course of trade. Power transformers manufactured by Fortune of greater power ratings than the exported goods are all considered to be like goods, relevant to the assessment of profit under the Regulation.

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<sup>6</sup> Fortune Electric Co, Ltd. – Exporter questionnaire – Sections B to G, p. 3.

## 8 ADJUSTMENTS

To ensure the normal value is comparable to the export price of goods exported to Australia at free-on-board (FOB) terms, the verification team has considered the following adjustments in accordance with section 269TAC(9).

### 8.1 Rationale and Methodology

Adjustment Type	Rationale for Adjustment	Calculation Methodology	Evidence	Claimed in REQ?
Credit expenses (domestic and export)	Fortune had different payment terms for domestic and export sales.	An adjustment for differences in credit terms was calculated in accordance with Chapter 15 of the Dumping and Subsidy Manual. <sup>7</sup>	Payment terms were verified to relevant source documents.	Yes
Packaging (domestic and export)	Power transformers sold by Fortune had different packing costs.	The actual packaging costs were allocated to each sale.	Commercial invoices and supporting documentation.	Yes
Inland transport (domestic and export)	Power transformers sold by Fortune had different inland transport expenses.	The actual inland transport costs were allocated to each sale.	Commercial invoices and supporting documentation.	Yes
Inland insurance (domestic and export)	Power transformers sold by Fortune had different inland insurance expenses.	The actual inland insurance costs were allocated to each sale.	Commercial invoices and supporting documentation.	Yes
Warranty expenses – guarantee deposit (domestic sales)	Fortune incurred expenses on some domestic sales to guarantee performance from customers.	No adjustment made. Direct selling expenses relating to domestic sales have not been included in the calculation of the normal value and therefore an adjustment for these expenses is not necessary for fair comparison with the export price of the goods.	Commercial invoices and supporting documentation.	Yes

<sup>7</sup> Anti-Dumping Commission, Dumping and Subsidy Manual (November 2018), Chapter 15 – Due Allowance, p. 75.



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Stamp duty (domestic sales)	Fortune incurred expenses for stamp duty on some domestic sales.	No adjustment made. Direct selling expenses relating to domestic sales have not been included in the calculation of the normal value and therefore an adjustment for these expenses is not necessary for fair comparison with the export price of the goods.	Commercial invoices and supporting documentation.	Yes
Export port handling charges	Power transformers sold by Fortune had different inland insurance expenses.	The actual export handling costs were allocated to each sale.	Commercial invoices and supporting documentation.	Yes
Product liability insurance (export sales)	Fortune incurred expenses on export sales for product liability insurance. An adjustment has been made for these costs to ensure fair comparison of the normal value with the export price of the goods.	The actual costs incurred were allocated to each sale.	Commercial invoices and supporting documentation.	Yes
Guarantee deposit (export sales)	Fortune incurred expenses on export sales in relation to bank guarantees for payment. An adjustment has been made for these costs to ensure fair comparison of the normal value with the export price of the goods.	The actual costs incurred were allocated to each sale.	Commercial invoices and supporting documentation.	Yes
Export ocean freight	Fortune incurred ocean freight expenses for export sales to Australia.	No adjustment made. Ocean freight is a post-FOB expense and therefore an adjustment is not necessary for fair comparison to the export price on FOB terms.	Commercial invoices and supporting documentation.	Yes
Export marine insurance	Fortune incurred marine insurance expenses for export sales to Australia.	No adjustment made. Marine insurance is a post-FOB expense and therefore an adjustment is not necessary for fair comparison to the export price on FOB terms.	Commercial invoices and supporting documentation.	Yes
Anti-dumping duty	Fortune incurred expenses for anti-dumping duties (IDD) for exports to Australia.	No adjustment made. Anti-dumping duty is a post-FOB expense and therefore an adjustment is not necessary for fair comparison to the export price on FOB terms.	Commercial invoices and supporting documentation.	Yes

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Customs duty	Fortune incurred expenses for customs duties for exports to Australia.	No adjustment made. Customs duty is a post-FOB expense and therefore an adjustment is not necessary for fair comparison to the export price on FOB terms.	Commercial invoices and supporting documentation.	Yes
Export handling and other charges in Australia	Fortune incurred handling and brokerage expenses for exports to Australia.	No adjustment made. Export handling and other charges are post-FOB expenses and therefore an adjustment is not necessary for fair comparison to the export price on FOB terms.	Commercial invoices and supporting documentation.	Yes
Export inland transport in Australia	Fortune incurred inland transport expenses (in Australia) for exports of the goods.	No adjustment made. Inland transport in Australia is a post-FOB expense and therefore an adjustment is not necessary for fair comparison to the export price on FOB terms.	Commercial invoices and supporting documentation.	Yes
Duty drawback	For its exports of the goods to Australia, Fortune received duty drawback refunds in relation to import duties paid on certain raw materials used to produce the goods.	The amount of the duty drawback was calculated based on the amount received or expected to be received, minus relevant costs incurred.	Commercial invoices and supporting documentation, including import declaration forms, proof of payment of import duties, and proof of application/receipt of duty refund where applicable.	Yes

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### 8.2 Adjustments

Adjustment Type	Deduction/addition
Domestic credit costs	Deduct domestic credit costs
Duty drawback	Deduct the amount of duty drawback refundable for exports
Export packing	Add the cost of export packing
Export inland transport	Add the cost of export inland transport
Export inland insurance	Add the cost of export inland insurance
Handling and other	Add the cost of export inland handling and other costs
Product liability insurance	Add the cost of product liability insurance for exports
Guarantee deposit	Add the cost of guarantee deposit for exports
Export credit costs	Add export credit costs

The verification team's preliminary adjustment calculations are included in normal value calculations at **Confidential Appendix 4**.

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The verification team is satisfied that because of the absence, or low volume, of sales of like goods in the market of the country of export that would be relevant for the purpose of determining a normal value, the normal value of goods exported to Australia cannot be ascertained under section 269TAC(1).

The verification team has therefore calculated a preliminary normal value under section 269TAC(2)(c), as:

- the cost to make of the goods exported to Australia in accordance with section 43(2) of the Regulation;
- the SG&A in accordance with section 44(2) of the Regulation, having regard to SG&A as a proportion of revenue of domestic sales of like goods, and applying this proportion to the export sales of the goods based on the revenue of each sale; and
- an amount of profit in accordance with section 45(2) of the Regulation, based on the production and sale of like goods by Fortune in the OCOT.

The verification team's preliminary normal value calculations are at **Confidential Appendix 4**.

## **10 DUMPING MARGIN**

The dumping margin has been assessed by comparing the Australian export prices determined in respect of individual transaction to the corresponding normal values, in accordance with section 269TACB(2)(b).

The dumping margin in respect of the goods exported to Australia by Fortune for the period is **18.67 per cent**.

Details of the preliminary dumping margin calculation are at **Confidential Appendix 5**.

**11 APPENDICES AND ATTACHMENTS**

<b>Confidential Appendix 1</b>	Export price
<b>Confidential Appendix 2</b>	Cost to make and sell
<b>Confidential Appendix 3</b>	Domestic sales, OCOT and profitability
<b>Confidential Appendix 4</b>	Normal Value
<b>Confidential Appendix 5</b>	Dumping Margin
<b>Confidential Attachment 1</b>	Verification work program